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SUBJECT: PARTNERSHIP FOR DEMOCRATIC GOVERNANCE MEETS WARM
RECEPTION IN CHILE

Classified By: Acting Deputy Chief of Mission Judith Baroodly for reasons 1.4(b) and (d).

¶1. (C) Summary: Director for Policy Planning Stephen Krasner presented the Partnership for Democratic Governance concept August 2 to the MFA Director General, other senior officials, and senior academics who advise the GOC on international issues. Chilean interlocutors, leading off with DG Portales, showed keen interest in the initiative and offered detailed comments and suggestions on its shape and possible stand-up. Krasner invited Chilean counterparts to Washington at a date TBD for broader policy planning talks an offer immediately accepted. Later, Krasner reviewed the PDG initiative with former President Ricardo Lagos. Although the GOC showed high interest in the PDG concept, we think Chile's participation will depend on yet to be finalized details of the initiative and the receptivity of other countries, especially Brazil, to the proposal. On August 3 Dr. Krasner gave an address on American foreign policy and its challenges to a select group of academics and think-tank directors at the Catholic University in Santiago. End Summary.

¶2. (SBU) Ambassador Craig Kelly, Deputy Chief of Mission and EPOL officer, accompanied Dr. Krasner and S/P William McIlhenny for the program in Santiago.

The Pitch

¶3. (C) In his meetings at the MFA and with Lagos, Krasner made the following points:

-- The purpose of the discussions of the Partnership for Democratic Governance (PDG) was to sound out a group of like-minded countries about legitimating and providing access to a number of non-traditional tools for creating and supporting democratic institutions.

-- Contracting for direct government services was perhaps the most revolutionary of these tools, but was an established practice that should enjoy legitimacy.

-- The PDG Secretariat would function as a clearing house to cooperate, not compete, with other democracy initiatives.

-- A key question was where to house the PDG Secretariat, whether in an existing organization like the Community of Democracies (COD) or World Bank (WB) or as a stand-alone.

--It was critical to have cooperation from leading, high-capacity democracies in all regions of the world, while maintaining a relatively small core group to ensure an agile and responsive organization.

Policy Planning and North America

¶4. (C) Dr. Krasner met initially with Angel Flisfisch, Director of Policy Planning, and Carlos Appelgren, Director of the North American Directorate. Appelgren expressed appreciation that Chile had been selected as one of two South American countries to approach on the design and implementation of the PDG initiative. The two directors made the following observations:

-- Flisfisch noted that while the COD lacks the infrastructure of the World Bank or UNDP, that could also be an advantage in managing the structure of the PDG Secretariat. Carefully crafting selection criteria would

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help limit the initial core group to high-capacity democracies.

-- Format is sound, international demand is there as shown by Chile's experience with its own bilateral and trilateral cooperation and development programs. For example, Bolivian interest in developing administrative and state capacities goes beyond traditional health and social service issues.

-- Chile has employed several non-traditional approaches to institution building: For its ISO-9000 certification, Chile hired external contractors to evaluate public sector performance; for allocating state science and technology funding, decisions are made by a non-Chilean board. The question is how to socialize acceptance of these technocratic approaches.

-- Appelgren noted the PDG needed to be non-bureaucratic and agile. Referring to Haiti, he said it was important to be

able to respond flexibly and rapidly to conditions on the ground.

-- Perception of ceding sovereignty could be very damaging to a nascent democracy. Measures under the PDG would have to be transparent and politically neutral.

¶5. (C) Flisfisch and Appelgren said they would share the concept paper with other ministries involved in development and multilateral assistance issues. They also took Krasner up on a proffered invitation to Washington for bilateral policy planning talks at a date to be determined. Krasner agreed to follow up with a letter of invitation.

Multilateral Affairs Directorate

¶6. (C) Next Krasner met with Eduardo Galvez, Director of Multilateral Affairs. Galvez said that Chile has been working closely with the COD, UNDP and OAS on programs to strengthen democratic institutions. Noting that Chile had supported UN PKO and follow-on UN stabilization missions in East Timor and Haiti, Galvez said Chile supported the concept of the PDG. Because Chile is a small, trade-dependent country, "how other countries govern themselves is also important for us." Chile's commitment to the COD stems from a real belief in the importance of its mission. Galvez mentioned Chile would be interested in a readout on Brazil's reception of the PDG concept.

¶7. (C) Galvez raised several questions that were repeating themes in Krasner's meetings with the MFA:

-- Noting that Ecuador was facing major challenges, he asked how do you support basic structures of good governance while not imposing policies on others?

-- How would the PDG differ from the UN Democracy Fund, and would it tend to undercut other UN-based organizations or

activities?

-- What exactly would the PDG Secretariat look like?

Krasner reinforced the complementary nature of the PDG Secretariat's "match-making role," and noted that no decision

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had been made on where the PDG would be stood up. Some suggestions still on the table included the UNDP, the UN Peace-Building Commission, as well as other multilateral organizations. The key was that the PDG would provide a service to countries committed to improving their governance, and its mechanisms would insure that the local political actors would have to be responsible for PDG results or lack thereof.

Panel of Experts

¶18. (U) Director General of the Ministry of Foreign Affairs Carlos Portales hosted a lunch for Dr. Krasner with a group that included current and former Chilean diplomats, and academics who regularly consult for the MFA. Present were Ambassadors Flisfisch, Galvez, Appelgran, former Representative of the UNSYG to Haiti Juan Gabriel Valdez, Director of FLACSO Claudio Fuentes, former Justice Minister Luis Bates and former Senator Edgardo Boeninger among others. The PDG proposal was again well received.

¶19. (C) Valdez expressed strong reservations about housing the PDG in the COD, stating the COD was under siege, with the worst offenders against democratic practices clamoring for entry. Valdez drew on his Haiti experience, noting that MINUSTAH had made several efforts to encourage the GOH to accept technocratic solutions like those envisioned by the PDG. The GOH had flatly refused to consider those types of contracting arrangements.

¶10. (C) Portales suggested the imagery of contracting might not be useful in selling the PDG concept. It would be important that the core group membership be seen as credible and not ideologically subservient to the U.S. Chile would be very interested in Brazil's reaction to the PDG proposal.

President Lagos

¶11. (C) Former President Lagos received Dr. Krasner at his Foundation for Democracy and Development, which he had officially inaugurated the night before. Lagos was

interested in the idea of formalizing access to non-traditional government services and accountability mechanisms. An example in Chile was the tax system, where 90 percent of returns are filed electronically, and 80 percent of returns are prepared through a system which can also project a business' future tax burden. Another example was the automation of health-care payments to doctors and hospitals.

¶12. (C) Lagos said Chile was active in providing technical cooperation and development support in the region. He agreed that it was a challenge to identify available support options, particularly for post-conflict countries. Lagos said it would be important to promote measures that would enjoy acceptance/legitimacy. While for Chile and many other countries in the region the big controversies about outsourcing and contracting services had been resolved, this was not true everywhere. Lagos reiterated the concern Valdez had voiced about the COD, that it risked going down the same road as the discredited UN Commission on Human Rights. In terms of the physical location of the PDG Secretariat, Lagos said, "For imagery you can't beat Switzerland."

¶13. (U) On August 3, Dr. Krasner gave an off-the-record presentation on "Global Challenges and U.S. Foreign Policy" sponsored by the Catholic University's Center for International Studies, headed by former Army Chief of Staff Juan Emilio Cheyre. Thirty-five top level national academics and think-tank directors attended the presentation and a lively follow-on discussion.

Comment

¶14. (C) The Chilean reception of the PDG concept was warm to enthusiastic. The PDG and PDG Secretariat are very much in line with existing Chilean foreign policy. Chile has been intensely engaged with the Community of Democracies, the Democracy Forum, the UN Democracy Fund, and Organization of American States democracy initiatives. The MFA seemed flattered that Chile was approached on the PDG, and would doubtless welcome involvement in follow-on planning discussions. That said, Chile is also likely to pay close attention to how others (notably Brazil) react to the proposal before committing to the partnership. It would be useful to continue to engage the GOC, here and in Washington, and provide readout from consultations with other governments.
KELLY